

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

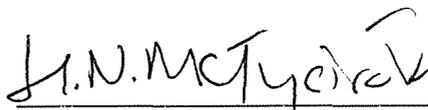
PROPOSED ADJUSTMENT OF THE WHOLESALE
WATER SERVICE RATES OF HOPKINSVILLE
WATER ENVIRONMENT AUTHORITY

} CASE NO. 2005-00174

**RESPONSE OF HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
TO THE CHRISTIAN COUNTY WATER DISTRICT'S
SEPTEMBER 9, 2005 FIRST DATA REQUEST**

Hopkinsville Water Environment Authority ("HWEA"), through counsel, hereby submits its Response pursuant to 807 KAR 5:001 to the First Information Request issued by the Christian County Water District ("CCWD") in this matter on September 9, 2005. Please note that HWEA's Responses in some cases refer to its Responses to the Information Requests propounded by the Public Service Commission (the "Commission"). HWEA's Responses are as follows:

Respectfully submitted,



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COUNSEL FOR HOPKINSVILLE WATER
ENVIRONMENT AUTHORITY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Response Of Hopkinsville Water Environment Authority To The Christian County Water District's September 9, 2005 First Data Request was served by United States mail, first class, postage prepaid, to John N. Hughes, 124 West Todd Street, Frankfort, Kentucky 40601, counsel for Christian County Water District and James Owen, General Manager, Christian County Water District, 1960 Dawson Springs Road, P.O. Box 7, Hopkinsville, Kentucky 42241-0007 on this 23rd day of September , 2005.



COUNSEL FOR HOPKINSVILLE WATER
ENVIRONMENT AUTHORITY

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 1.

The letter of July 7, 2005 to Beth O'Donnell from L. F. Hale in paragraph 3 refers to a "1996 Rate Amendment approved by the PSC." Provide a copy of the amendment and the "approval of that amendment issued by the PSC.

RESPONSE:

Please see HWEA's Responses to Commission Information Request Nos. 1a and 1b.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 2.

Refer to Item 8 of the July 7, 2005 Responses. Shared expenses are described as being divided equally between water and wastewater departments.

a. Are expenses accounted for separately for water and wastewater or are they allocated.

RESPONSE:

Expenses are accounted for separately except for shared expenses such as office personnel, benefits, office supplies, professional services, etc.

Item 2. a.

Case No.: 2005-00174
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DATA REQUEST NO. 2.

Refer to Item 8 of the July 7, 2005 Responses. Shared expenses are described as being divided equally between water and wastewater departments.

- b. If accounted separately, why are not actual amounts used?

RESPONSE:

As stated in HWEA's Response to CCWD Data Request No. 2a, some expenses are shared and allocated 50/50 to water and sewer accounts. HWEA has nearly equal water and sewer customers. Since 1993, when HWEA began accounting for water and sewer finances separately, the shared expenses have been allocated equally between water and sewer expenses as recommended by HWEA's auditors. Shared expenses only make up 14% of HWEA's Hopkinsville water system expenses.

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DATA REQUEST NO. 2.

Refer to Item 8 of the July 7, 2005 Responses. Shared expenses are described as being divided equally between water and wastewater departments.

- c. If allocated, what is basis for allocation?

RESPONSE:

Please see HWEA's Response to CCWD Data Request No. 2b.

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Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 2.

Refer to Item 8 of the July 7, 2005 Responses. Shared expenses are described as being divided equally between water and wastewater departments.

d. Are the expenses for water and sewer in the HWEA 2004 Annual Audit, schedule 2, actual or allocated amounts?

RESPONSE:

As explained in HWEA's July 7, 2005 Response to Appendix B to the Commission's June 15, 2005 Order, Response No. 8, HWEA's water system costs are both actual and allocated.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 3.

Refer to Item 13 of the July 7, 2005 Responses. Reconcile the statement that most of HWEA's mains are looped and essential to serving CCWD and the statement in the Black & Veatch Report on page 25 that the District does not use smaller water distribution mains.

RESPONSE:

Most of HWEA's water mains in Hopkinsville that distribute water to the CCWD are looped mains, which mean they are interconnected. This method of looping water mains allow water mains to be fed from multiple directions, equalizing flow rate and pressures. HWEA does not have designated water mains for distributing water to the 12 CCWD metering points. The smaller mains provide a benefit to distributing water to the CCWD.

Black and Veatch's statement on page 25 is, "[w]holesale customers generally do not use smaller water distribution mains as do retail customers." This sentence does not state that no smaller mains are used to serve the CCWD. However for the purpose of the *Report on Revenue Requirements, Costs of Service and Rates for Water Service* prepared for HWEA by Black & Veatch (the "B&V Report"), the operating and capital costs associated with smaller HWEA mains were not used.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 4.

Refer to Item 14 of the July 7, 2005 Responses. Explain how the raw water supply is the most limiting factor in supplying treated water to CCWD.

RESPONSE:

HWEA currently uses the North Fork of the Little River as the major supply of raw water to the Moss Water Treatment Plant (“WTP”). HWEA also uses two abandoned quarries for a back-up raw water supply with limited recharge capacities. The 10 year, 7 day USGS low flow for the North Fork is 0 CFS. Four years out of the past 10 years, the raw water supply for HWEA had dropped below a 90 day supply. During the short term drought in 1999, HWEA dropped to a 54 day supply of water. Simply stated, if there is no water in the North Fork of the Little River, there is no water for treatment or distribution.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 5.

Is the city currently capable of providing CCWD with its 2 MGD or 49 MG/Month contract volumes? If not, explain.

RESPONSE:

HWEA is capable of meeting its contractual obligations to the CCWD.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 6.

What is the increase in water purchases by CCWD that the city is projecting over the next five, 10, 15 and 20 years?

RESPONSE:

Based on an analysis of historical data, the projected water sales to CCWD, set forth in Table 2 of the B&V Report, are shown being level for the five year period of FY 2005 - 2009. Projections beyond that study period were not included within the scope of services for the B&V Report.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 7.

What is the Residential Enterprise Zone program and does the HWEA make any financial contributions to that program?

a. If yes, explain the nature of the contributions, the amounts and the relationship of the contributions to utility services

RESPONSE:

The Residential Enterprise Zone (“REZ”) is a housing initiative approved by the Hopkinsville City Council. HWEA does not make any financial contributions to the REZ. Based on the cost of the previous year’s REZ program, the HWEA Hopkinsville utility bill contains an “REZ Cost Fee.” Only HWEA’s Hopkinsville customers are charged a REZ fee.

